

MABS Submission
To the Pensions Board
On
Defined Contribution Pensions

October 2013

Introduction

The Money Advice and Budgeting Service (MABS) was established in 1992 to help people on a low income to cope with debts and take control of their own finances. It is a free, confidential and independent service. It currently comprises 53 MABS Services, located in over 60 offices nationwide. MABS is funded and supported by the Citizens Information Board.

MABS National Development Limited was established in 2004 to further develop the MABS Service in Ireland. It provides training and technical support to MABS staff nationally.

MABSndI also assists the MABS service in providing educational and informational supports as well as assisting in highlighting policy issues that arise in the course of the money advice work on behalf of clients. MABSndI has responsibility for the ongoing development of the MABS website www.mabs.ie and for providing the MABS national helpline service.

MABS welcomes the opportunity to make this submission to the Pensions Board.

MABS Response to Consultation on Defined Contribution Pensions

Trustees

- Because of the importance of pension provision we would share the Board's concern as to the level of knowledge and understanding of members regarding schemes, as well as the competency of trustees to adequately manage schemes on behalf of members. We therefore agree that the performance of trustees should be significantly improved and that they should be required to self-certify their competency and ability to meet specific knowledge and experience criteria.
- The minimum standards required must include an understanding of the particular scheme as well as investment strategies in order to provide adequate oversight and information to members.
- We agree that the Board should issue a code of governance in order to set adequate standards. Codes of themselves are never adequate and must be supported by a robust supervisory regime.

Regulation

We agree with the Board's proposal to introduce legislation. We consider this as an essential component in putting DC pensions on a proper footing. We would be of the view that regulation, as well as covering the areas indicated in the consultation paper, would contain minimum yearly communication and information requirements of trustees to the members of the scheme.

Investment

As well as a regulatory and leadership function the Board could enhance members' understanding by producing practical guidance on the design and governance of default strategies. This along with greater competency requirements of trustees should ensure that there is no unnecessary exposure to risk.

In order to safeguard the investments of members an independent pension expert from within the Board or appointed by the Board should be engaged to check the status of pension schemes on an annual basis and to make recommendations if action is required.

Disclosure

- As is rightly indicated too much information can often lead to confusion. Pension schemes need to be clearly explained in plain English and structured to enhance understanding and decision making. Risks must be clearly explained as to the consequences for the member at their stage in the life cycle. In our view the Board can play an important role in setting standards for product design and the transparency of the terms and conditions attached.
- Members should be provided with easily understood statements showing how much they should be investing, relative to their age, to provide them with an adequate pension on retirement. Additional information such as changes to the age at which the state contributory old age pension will be paid could also be provided to ensure a full understanding of what they can reasonably expect in terms of pension income.
- In our view there should be an annual statement provided to each member outlining clearly the costs and charges. If possible information on costs and charges in other

schemes may be a valuable tool in keeping costs and charges at an appropriate/ competitive level.

- Trustees should be tasked with encouraging members to be pro-active in respect of their pensions.

Value for Money

As suggested above the creation of a tool that would compare costs and charges of similar schemes may be what is required to enable trustees to negotiate competitive costs and charges for their members. Practical information and advice on how to negotiate lower costs and charges could be provided by the Board.

Regular general information sessions for members

- Regular sessions to inform members of the importance of making provision for their pension should be provided. The session could explain how pensions schemes work. Information on commission, fees and charges, both by agents and fund managers should be provided as part of this information. Tax reliefs for pension contributions should be explained.
- It is important to encourage women to invest in a pension in their own right to ensure they have an adequate retirement income of their own. General information on what happens to your pension if you leave your employment or change employer should be provided.
- As members approach retirement information on buying an annuity or other options should be provided to ensure members get the best possible outcome for their pension.